



Control Number: 51415



Item Number: 188

Addendum StartPage: 0



SOAH DOCKET NO. 423-21-0538
PUC DOCKET NO. 51415

APPLICATION OF SOUTHWESTERN §
ELECTRIC POWER COMPANY FOR §
AUTHORITY TO CHANGE RATES §
BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

FEBRUARY 16, 2021

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Files provided electronically on the PUC Interchange


 Staff_9-2_Attachment_1_Pirkey_COS.xlsx


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 Staff_9-5_Attachment_1.xlsx

 Staff_9-6_Attachment_1.xlsx

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 Staff_9-24_Attachment_1_Software_workpaper_support.xlsx

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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
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Question No. STAFF 9-1:

Please identify all expenses related to Docket No. 49737 incurred during the test period by SWEPCO (directly and allocated by affiliates). If not reported on Schedule G-14, provide the location of such expenses in SWEPCO's request in this proceeding by schedule number, line number, and FERC account. If not included in SWEPCO's request, please identify where such amounts are removed or in which FERC account such costs are recorded on Schedule A-4 (trial balance).

Response No. STAFF 9-1:

Expenses related to Docket No. 49737 were accrued in a non-cost of service account, FERC 4265. As such, they do not appear in the Company's filing.

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Brian J. Frantz

Title: Dir Accounting

Sponsored By: Lynn M. Ferry-Nelson

Title: Dir Regulatory Svcs

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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
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Question No. STAFF 9-2:

Refer to the response to OPUC 5-7, Attachment 1. Please similarly identify all costs related to the H.W. Pirkey Power Plant that are included in SWEPCO's requested cost of service.

Response No. STAFF 9-2:

Please see Staff 9-2 Attachment 1 Pirkey COS (provided electronically on the PUC Interchange) for the requested cost of service for the Pirkey Power Plant.

Prepared By: Jason M. Yoder

Title: Dir Regulatory Acctg Svcs

Sponsored By: Jennifer L. Jackson

Title: Reg Pricing & Analysis Mgr

Sponsored By: John O. Aaron

Title: Dir Reg Pricing & Analysis

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
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Question No. STAFF 9-3:

Refer to the SWEPCO news release on 11/5/2020 titled "SWEPCO to end coal operations at two plants, upgrade a third." What is the current estimated date in 2023 for the retirement of the H.W. Pirkey plant?

Response No. STAFF 9-3:

The Company is currently estimating that Pirkey will cease burning coal by March 31, 2023.

Prepared By: Tara D. Beske

Title: Regulatory Consultant Staff

Sponsored By: Monte A. McMahon

Title: VP Generating Assets SWEPCO

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SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
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Question No. STAFF 9-4:

Please refer to Exhibit MAB-4 to the testimony of Michael A. Baird and please provide the following:

- a) The source of the amounts in the column titled "AccumulatedDepr"
- b) The accumulated depreciation balance by account excluding the additional GAAP depreciation recorded by SWEPCO
- c) A reconciliation of the amounts reported in the column titled "Allocated CWIP" to Schedule C-4.1
- d) The source of the depreciation rates in the column titled "Depreciation Rates" and a reconciliation of the rates to the currenttest-year rates shown in column (5) of Schedule D-4
- e) The source and supporting documentation for the amount of \$10,740,383 labeled "Demo Estimate." Is such amount recorded on SWEPCO's books? If it was recorded at test-year end, pleaseprovide the account number on Schedule A-4 where it is recorded.

Response No. STAFF 9-4:

- a) The accumulated depreciation is calculated in the Company's fixed asset system which is PowerPlant.
- b) Please see Staff 9-4 Attachment 1 for the amounts of the additional depreciation required by GAAP, by FERC plant account.
- c) Schedule C-4.1 includes \$3.9 million of CWIP projects identified as Dolet Hills in the Major Location column. The remaining \$200,000 would be included in the projects less than \$500,000.
- d) The rates in the column titled "Depreciation Rates" are the depreciation rates input into the Company's—fixed asset system (PowerPlant), are input on a total company or composite basis to include the depreciation rates approved in other SWEPCO jurisdictions, and are used to record Total Company depreciation expense for book purposes. The depreciation rates approved in PUC Docket 46449 are included in the Total Company depreciation rates which are input to the Company's fixed asset system.
- e) Please refer to the direct testimony of Company witness Eiden which provide support for SWEPCO's total demolition estimate. Demolition costs are not specifically recorded on SWEPCO's books but the costs reflect an estimate of final demolition at the plant in addition to SWEPCO's net book value remaining for Dolet Hills.

Prepared By: Jason M. Yoder

Title: Dir Regulatory Acctg Svcs

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

| start_month | end_month | depr_group | company | set_of_books | external_account_code | end_bal |
|-------------|-----------|-------------------------------------|---------------------------------|--------------|-----------------------|-----------------|
| 06/2020 | 06/2020 | SEP 101/6 311 Dolet Hills Plant EOL | Southwestern Electric Pwr - Gen | SEC | 1080161 | (2,362,701.67) |
| 06/2020 | 06/2020 | SEP 101/6 312 Dolet Hills Plant EOL | Southwestern Electric Pwr - Gen | SEC | 1080161 | (22,838,305.65) |
| 06/2020 | 06/2020 | SEP 101/6 314 Dolet Hills Plant EOL | Southwestern Electric Pwr - Gen | SEC | 1080161 | (2,446,683.88) |
| 06/2020 | 06/2020 | SEP 101/6 315 Dolet Hills Plant EOL | Southwestern Electric Pwr - Gen | SEC | 1080161 | (798,698.90) |
| 06/2020 | 06/2020 | SEP 101/6 316 Dolet Hills Plant EOL | Southwestern Electric Pwr - Gen | SEC | 1080161 | (1,128,771.88) |
| 06/2020 | 06/2020 | SEP 101/6 31700 Dolet Hills AsbsEOL | Southwestern Electric Pwr - Gen | SEC | 1080161 | 6,798.02 |
| 06/2020 | 06/2020 | SEP 101/6 31700 Dolet Hills Ash EOL | Southwestern Electric Pwr - Gen | SEC | 1080161 | (194,894.06) |
| | | | | | | (29,763,258.02) |

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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
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Question No. STAFF 9-5:

Refer to SWEPCO's responses to Staff 5-27 and Staff 5-31. Please provide a reconciliation by FERC account for the amounts reported in the column labeled "Test Year" in the response to Staff 5-27 and the amounts in the column labeled "Per Books" for AEP Service Corporation in the response to Staff 5-31. If the two items cannot be reconciled because they represent different types of expenses, please provide a detailed explanation.

Response No. STAFF 9-5:

Please see Staff 9-5 Attachment 1 for reconciliation by FERC account for the amounts reported in columns referenced on response to Staff 5-31 and response to Staff 5-27. Please note the following primary items represented in the reconciling items column on the attachment:

1. Staff 5-31 includes payroll amounts from other AEP affiliates other than AEPSC, as the Company didn't annualize payroll for non-AEPSC affiliates as part of Staff 5-27
2. Staff 5-31 includes AEPSC activity in non Cost of Service Accounts, while Staff 5-27 only includes Cost of Service accounts which are FERC Accounts 5000 and above
3. Staff 5-31 includes costs that the Company considers to be payroll related, but are not part of the proforma adjustment to annualize payroll represented in Staff 5-27. These costs primarily are fringes and incentives.

Prepared By: Brian J. Frantz

Title: Dir Accounting

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Brian J. Frantz

Title: Dir Accounting

Affiliate Billings to SWEPCo

Reconciliation of Staff 5-31 to Staff 5-27

Per Books by FERC Account For The Test Year

| Affiliate | FERC Account | Per Books Staff | | Per books Staff 5-27 |
|----------------------------------------|---------------------------------------|-----------------|-------------------|-------------------------|
| | | 5-31 | Reconciling Items | |
| AEP Energy Partners, Inc. | 9200 - Administrative & Gen Salaries | 103,689 | (103,689) | 0 |
| AEP Energy, Inc | 9200 - Administrative & Gen Salaries | 2,477 | (2,477) | 0 |
| AEP Generation Resources | 9200 - Administrative & Gen Salaries | 12,623 | (12,623) | 0 |
| AEP Oklahoma Transmission Company, Inc | 1070 - Construction Work In Progress | 4,624 | (4,624) | 0 |
| AEP OnSite Partners, LLC | 9200 - Administrative & Gen Salaries | 6,124 | (6,124) | 0 |
| AEP Service Corporation | 1070 - Construction Work In Progress | 33,239,297 | (33,239,297) | 0 |
| AEP Service Corporation | 1080 - Accum Prov for Deprec of Plant | 210,160 | (210,160) | 0 |
| AEP Service Corporation | 1510 - Fuel Stock | 339,592 | (339,592) | 0 |
| AEP Service Corporation | 1520 - Fuel Stock Exp Undistributed | 1,624,510 | (1,624,510) | 0 |
| AEP Service Corporation | 1630 - Stores Expense Undistributed | 4,805,654 | (4,805,654) | 0 |
| AEP Service Corporation | 1830 - Prelimin Surv&Investgtn Chrgs | 289,886 | (289,886) | 0 |
| AEP Service Corporation | 1840 - Clearing Accounts | 90,382 | (90,382) | 0 |
| AEP Service Corporation | 1860 - MDD-Internal Billing Only | 555,906 | (555,906) | 0 |
| AEP Service Corporation | 1880 - R&D Expenses | 275,232 | (275,232) | 0 |
| AEP Service Corporation | 4010 - Operation Expense | 0 | (0) | 0 |
| AEP Service Corporation | 4210 - Misc Non-Operating Income | 797 | (797) | 0 |
| AEP Service Corporation | 4264 - Civic & Political Activities | 239,959 | (239,959) | 0 |
| AEP Service Corporation | 4265 - Other Deductions | 532 | (532) | 0 |
| AEP Service Corporation | 5000 - Oper Supervision & Engineering | 11,657,589 | (5,597,214) | 6,060,375 |
| AEP Service Corporation | 5010 - Fuel | 690,541 | (270,679) | 419,862 |
| AEP Service Corporation | 5020 - Steam Expenses | 164,702 | (68,351) | 96,351 |
| AEP Service Corporation | 5050 - Electric Expenses | 3,888 | (1,395) | 2,493 |
| AEP Service Corporation | 5060 - Misc Steam Power Expenses | (578,160) | 975,356 | 397,196 |
| AEP Service Corporation | 5100 - Maint Supv & Engineering | 340,857 | (126,103) | 214,754 |
| AEP Service Corporation | 5110 - Maintenance of Structures | 553,554 | (214,490) | 339,064 |
| AEP Service Corporation | 5120 - Maintenance of Boiler Plant | 1,396,098 | (661,936) | 734,161 |
| AEP Service Corporation | 5130 - Maintenance of Electric Plant | 376,725 | (187,762) | 188,963 |
| AEP Service Corporation | 5140 - Maintenance of Misc Steam Plt | 107,279 | (38,210) | 69,068 |
| AEP Service Corporation | 5170 - Oper Supervision & Engineering | (20) | 20 | 0 |
| AEP Service Corporation | 5240 - Misc Nuclear Power Expenses | (80) | 80 | 0 |
| AEP Service Corporation | 5280 - Maint Supv & Engineering | 5,459 | (1,855) | 3,605 |
| AEP Service Corporation | 5290 - Maintenance of Structures | 332 | (120) | 212 |
| AEP Service Corporation | 5300 - Maint of Reactor Plant Equip | 19 | (8) | 11 |
| AEP Service Corporation | 5310 - Maintenance of Electric Plant | 255 | (247) | 8 |
| AEP Service Corporation | 5350 - Oper Supervision & Engineering | 4,487 | (1,759) | 2,728 |
| AEP Service Corporation | 5370 - Hydraulic Expenses | 1,092 | (828) | 264 |
| AEP Service Corporation | 5390 - Misc Hydr Power Generation Exp | 4,786 | (1,718) | 3,068 |
| AEP Service Corporation | 5420 - Maintenance of Structures | 306 | (306) | 0 |
| AEP Service Corporation | 5430 - Maint Rsrvoirs,Dams&Wtrways | (59) | 59 | 0 |
| AEP Service Corporation | 5440 - Maintenance of Electric Plant | (547) | 547 | 0 |
| AEP Service Corporation | 5450 - Maint of Misc Hydraulic Plant | 931 | (356) | 575 |
| AEP Service Corporation | 5460 - Oper Supervision & Engineering | (556) | 556 | 0 |
| AEP Service Corporation | 5470 - Fuel | (118) | 118 | 0 |
| AEP Service Corporation | 5490 - Misc Other Pwr Generation Exp | 251 | (251) | 0 |
| AEP Service Corporation | 5510 - Maint Supv & Engineering | (15) | 6 | (9) |
| AEP Service Corporation | 5530 - Maintenance of Generating Plt | 11,806 | (5,155) | 6,651 |
| AEP Service Corporation | 5550 - Purchased Power | (3) | 3 | 0 |
| AEP Service Corporation | 5560 - Sys Control & Load Dispatching | 1,373,692 | (546,333) | 827,359 |
| AEP Service Corporation | 5570 - Other Expenses | 3,096,825 | (1,242,481) | 1,854,344 |
| AEP Service Corporation | 5600 - Oper Supervision & Engineering | 5,791,534 | (2,216,403) | 3,575,131 |
| AEP Service Corporation | 5612 - Load Dispatch-Mntr&Op TransSys | 894,592 | (337,344) | 557,248 |
| AEP Service Corporation | 5615 - Reliability,Plng&Stds Develop | 211,584 | (80,157) | 131,427 |
| AEP Service Corporation | 5620 - Station Expenses | 6,491 | (2,521) | 3,970 |
| AEP Service Corporation | 5630 - Overhead Line Expenses | 17,398 | (6,771) | 10,627 |
| AEP Service Corporation | 5640 - Underground Line Expenses | (19) | 19 | 0 |
| AEP Service Corporation | 5660 - Misc Transmission Expenses | 1,360,871 | (567,147) | 793,724 |
| AEP Service Corporation | 5670 - Rents | 112 | (38) | 74 |
| AEP Service Corporation | 5680 - Maint Supv & Engineering | 8,565 | (3,168) | 5,398 |
| AEP Service Corporation | 5690 - Maintenance of Structures | 91 | (65) | 25 |
| AEP Service Corporation | 5691 - Maint of Computer Hardware | 8,189 | (3,012) | 5,177 |
| AEP Service Corporation | 5692 - Maint of Computer Software | 130,472 | (47,787) | 82,685 |
| AEP Service Corporation | 5693 - Maint of Communication Equip | 63 | (63) | 0 |
| AEP Service Corporation | 5700 - Maint of Station Equipment | 199,012 | (82,996) | 116,017 |
| AEP Service Corporation | 5710 - Maintenance of Overhead Lines | 23,582 | (11,052) | 12,530 |
| AEP Service Corporation | 5720 - Maint of Underground Lines | (120) | 120 | 0 |

| | | | | |
|---------------------------|---------------------------------------|-------------|--------------|------------|
| AEP Service Corporation | 5730 - Maint of Misc Trnsmsion Plt | 1,726 | (1,031) | 695 |
| AEP Service Corporation | 5800 - Oper Supervision & Engineering | 1,136,752 | (470,233) | 666,519 |
| AEP Service Corporation | 5820 - Station Expenses | 65,146 | (24,957) | 40,190 |
| AEP Service Corporation | 5830 - Overhead Line Expenses | 525 | (295) | 230 |
| AEP Service Corporation | 5840 - Underground Line Expenses | 13,168 | (5,298) | 7,871 |
| AEP Service Corporation | 5860 - Meter Expenses | 174,274 | (64,552) | 109,722 |
| AEP Service Corporation | 5880 - Miscellaneous Distribution Exp | 396,125 | 232,027 | 628,152 |
| AEP Service Corporation | 5900 - Maint Supv & Engineering | 8,734 | (3,809) | 4,924 |
| AEP Service Corporation | 5910 - Maintenance of Structures | 25 | (25) | 0 |
| AEP Service Corporation | 5920 - Maint of Station Equipment | 92,497 | (43,016) | 49,481 |
| AEP Service Corporation | 5930 - Maintenance of Overhead Lines | 47,253 | (19,854) | 27,400 |
| AEP Service Corporation | 5940 - Maint of Underground Lines | 471 | (471) | 0 |
| AEP Service Corporation | 5960 - Maint of Strt Lghtng & Sgnal S | (0) | 0 | 0 |
| AEP Service Corporation | 5970 - Maintenance of Meters | 309 | (107) | 201 |
| AEP Service Corporation | 5980 - Maint of Misc Distribution Plt | 33 | (33) | 0 |
| AEP Service Corporation | 9010 - Supervision - Customer Accts | 71,781 | (24,576) | 47,205 |
| AEP Service Corporation | 9020 - Meter Reading Expenses | 125,785 | (43,354) | 82,431 |
| AEP Service Corporation | 9030 - Cust Records & Collection Exp | 8,725,496 | (3,089,703) | 5,635,793 |
| AEP Service Corporation | 9050 - Misc Customer Accounts Exp | 25,004 | (8,268) | 16,736 |
| AEP Service Corporation | 9070 - Supervision - Customer Service | 110,836 | (38,103) | 72,733 |
| AEP Service Corporation | 9080 - Customer Assistance Expenses | 65,263 | (22,195) | 43,068 |
| AEP Service Corporation | 9090 - Information & Instruct Advrts | 0 | 0 | 0 |
| AEP Service Corporation | 9100 - Misc Cust Svc&Informational Ex | 18,605 | (7,907) | 10,698 |
| AEP Service Corporation | 9110 - Supervision - Sales Expenses | (3) | 3 | 0 |
| AEP Service Corporation | 9120 - Demonstrating & Selling Exp | 2,688 | (1,038) | 1,650 |
| AEP Service Corporation | 9200 - Administrative & Gen Salaries | 24,315,763 | (10,671,323) | 13,644,440 |
| AEP Service Corporation | 9210 - Office Supplies and Expenses | 8,948 | (3,714) | 5,234 |
| AEP Service Corporation | 9220 - Administrative Exp Trnsf - Cr | 0 | (0) | (0) |
| AEP Service Corporation | 9230 - Outside Services Employed | (1,441,888) | 1,442,525 | 636 |
| AEP Service Corporation | 9250 - Injuries and Damages | 17,176 | (8,842) | 8,333 |
| AEP Service Corporation | 9260 - Employee Pensions & Benefits | 22,937 | (8,811) | 14,125 |
| AEP Service Corporation | 9280 - Regulatory Commission Exp | 1,687,092 | (725,920) | 961,173 |
| AEP Service Corporation | 9301 - General Advertising Expenses | 41 | 167 | 207 |
| AEP Service Corporation | 9302 - Misc General Expenses | 247,146 | (135,169) | 111,978 |
| AEP Service Corporation | 9350 - Maintenance of General Plant | 190,886 | (76,518) | 114,369 |
| AEP Texas Company | 1070 - Construction Work In Progress | 376,509 | (376,509) | 0 |
| AEP Texas Company | 1080 - Accum Prov for Deprec of Plant | 33,808 | (33,808) | 0 |
| AEP Texas Company | 1840 - Clearing Accounts | 2,098 | (2,098) | 0 |
| AEP Texas Company | 1860 - MDD-Internal Billing Only | 10,422 | (10,422) | 0 |
| AEP Texas Company | 4264 - Civic & Political Activities | 211 | (211) | 0 |
| AEP Texas Company | 5000 - Oper Supervision & Engineering | 164 | (164) | 0 |
| AEP Texas Company | 5130 - Maintenance of Electric Plant | 1,430 | (1,430) | 0 |
| AEP Texas Company | 5600 - Oper Supervision & Engineering | 10,974 | (10,974) | 0 |
| AEP Texas Company | 5620 - Station Expenses | 14,975 | (14,975) | 0 |
| AEP Texas Company | 5660 - Misc Transmission Expenses | 7,118 | (7,118) | 0 |
| AEP Texas Company | 5700 - Maint of Station Equipment | 54,701 | (54,701) | 0 |
| AEP Texas Company | 5710 - Maintenance of Overhead Lines | 80,841 | (80,841) | 0 |
| AEP Texas Company | 5800 - Oper Supervision & Engineering | 11,227 | (11,227) | 0 |
| AEP Texas Company | 5810 - Load Dispatching | 12,601 | (12,601) | 0 |
| AEP Texas Company | 5830 - Overhead Line Expenses | 9,741 | (9,741) | 0 |
| AEP Texas Company | 5850 - Street Lighting & Signal Sys E | 24 | (24) | 0 |
| AEP Texas Company | 5860 - Meter Expenses | 16,983 | (16,983) | 0 |
| AEP Texas Company | 5870 - Customer Installations Exp | 6,738 | (6,738) | 0 |
| AEP Texas Company | 5880 - Miscellaneous Distribution Exp | 8,264 | (8,264) | 0 |
| AEP Texas Company | 5900 - Maint Supv & Engineering | 2,222 | (2,222) | 0 |
| AEP Texas Company | 5920 - Maint of Station Equipment | 7,806 | (7,806) | 0 |
| AEP Texas Company | 5930 - Maintenance of Overhead Lines | 10,907 | (10,907) | 0 |
| AEP Texas Company | 5940 - Maint of Underground Lines | 2 | (2) | 0 |
| AEP Texas Company | 5950 - Maint of Lne Trnf,Rglators&Dvi | 13,765 | (13,765) | 0 |
| AEP Texas Company | 5960 - Maint of Strt Lghtng & Sgnal S | 73 | (73) | 0 |
| AEP Texas Company | 5970 - Maintenance of Meters | 584 | (584) | 0 |
| AEP Texas Company | 9030 - Cust Records & Collection Exp | 3,246 | (3,246) | 0 |
| AEP Texas Company | 9080 - Customer Assistance Expenses | 102,685 | (102,685) | 0 |
| AEP Texas Company | 9200 - Administrative & Gen Salaries | 60,955 | (60,955) | 0 |
| AEP Texas Company | 9280 - Regulatory Commission Exp | 65 | (65) | 0 |
| AEP Texas Company | 9350 - Maintenance of General Plant | 32,110 | (32,110) | 0 |
| Appalachian Power Company | 1070 - Construction Work In Progress | 6,467 | (6,467) | 0 |
| Appalachian Power Company | 1080 - Accum Prov for Deprec of Plant | 184 | (184) | 0 |
| Appalachian Power Company | 1630 - Stores Expense Undistributed | 543 | (543) | 0 |
| Appalachian Power Company | 1840 - Clearing Accounts | 7,527 | (7,527) | 0 |
| Appalachian Power Company | 1880 - R&D Expenses | 42 | (42) | 0 |
| Appalachian Power Company | 5000 - Oper Supervision & Engineering | 1,113 | (1,113) | 0 |

| | | | | |
|--------------------------------|----------------------------------------|--------|----------|---|
| Appalachian Power Company | 5020 - Steam Expenses | 593 | (593) | 0 |
| Appalachian Power Company | 5060 - Misc Steam Power Expenses | 2,583 | (2,583) | 0 |
| Appalachian Power Company | 5120 - Maintenance of Boiler Plant | 1,880 | (1,880) | 0 |
| Appalachian Power Company | 5130 - Maintenance of Electric Plant | 5,494 | (5,494) | 0 |
| Appalachian Power Company | 5140 - Maintenance of Misc Steam Plt | 961 | (961) | 0 |
| Appalachian Power Company | 5600 - Oper Supervision & Engineering | 76 | (76) | 0 |
| Appalachian Power Company | 5660 - Misc Transmission Expenses | 18 | (18) | 0 |
| Appalachian Power Company | 5800 - Oper Supervision & Engineering | 8,946 | (8,946) | 0 |
| Appalachian Power Company | 5830 - Overhead Line Expenses | 0 | 0 | 0 |
| Appalachian Power Company | 5860 - Meter Expenses | 1,600 | (1,600) | 0 |
| Appalachian Power Company | 5880 - Miscellaneous Distribution Exp | 17 | (17) | 0 |
| Appalachian Power Company | 5930 - Maintenance of Overhead Lines | 644 | (644) | 0 |
| Appalachian Power Company | 5950 - Maint of Lne Trnf, Rglators&Dvi | (2) | 2 | 0 |
| Appalachian Power Company | 5960 - Maint of Strt Lghtng & Sgnal S | 96 | (96) | 0 |
| Appalachian Power Company | 9030 - Cust Records & Collection Exp | (204) | 204 | 0 |
| Appalachian Power Company | 9200 - Administrative & Gen Salaries | 42,492 | (42,492) | 0 |
| Appalachian Power Company | 9350 - Maintenance of General Plant | 102 | (102) | 0 |
| Dolet Hills Lignite Co, LLC | 4010 - Operation Expense | 835 | (835) | 0 |
| Dolet Hills Lignite Co, LLC | 5000 - Oper Supervision & Engineering | 1,078 | (1,078) | 0 |
| Dolet Hills Lignite Co, LLC | 5060 - Misc Steam Power Expenses | 2,166 | (2,166) | 0 |
| Dolet Hills Lignite Co, LLC | 5120 - Maintenance of Boiler Plant | 917 | (917) | 0 |
| Dolet Hills Lignite Co, LLC | 5130 - Maintenance of Electric Plant | 206 | (206) | 0 |
| Dolet Hills Lignite Co, LLC | 5140 - Maintenance of Misc Steam Plt | 38,539 | (38,539) | 0 |
| Indiana Michigan Power Company | 1070 - Construction Work In Progress | 1,565 | (1,565) | 0 |
| Indiana Michigan Power Company | 1080 - Accum Prov for Deprec of Plant | 174 | (174) | 0 |
| Indiana Michigan Power Company | 1630 - Stores Expense Undistributed | 34,585 | (34,585) | 0 |
| Indiana Michigan Power Company | 1840 - Clearing Accounts | 12,730 | (12,730) | 0 |
| Indiana Michigan Power Company | 5000 - Oper Supervision & Engineering | 13,543 | (13,543) | 0 |
| Indiana Michigan Power Company | 5100 - Maint Supv & Engineering | 372 | (372) | 0 |
| Indiana Michigan Power Company | 5120 - Maintenance of Boiler Plant | 3,070 | (3,070) | 0 |
| Indiana Michigan Power Company | 5130 - Maintenance of Electric Plant | 2,464 | (2,464) | 0 |
| Indiana Michigan Power Company | 5140 - Maintenance of Misc Steam Plt | 151 | (151) | 0 |
| Indiana Michigan Power Company | 5240 - Misc Nuclear Power Expenses | 126 | (126) | 0 |
| Indiana Michigan Power Company | 5600 - Oper Supervision & Engineering | 5,235 | (5,235) | 0 |
| Indiana Michigan Power Company | 5660 - Misc Transmission Expenses | 2,505 | (2,505) | 0 |
| Indiana Michigan Power Company | 5830 - Overhead Line Expenses | (2) | 2 | 0 |
| Indiana Michigan Power Company | 5860 - Meter Expenses | 230 | (230) | 0 |
| Indiana Michigan Power Company | 5880 - Miscellaneous Distribution Exp | 6,176 | (6,176) | 0 |
| Indiana Michigan Power Company | 5920 - Maint of Station Equipment | 294 | (294) | 0 |
| Indiana Michigan Power Company | 5930 - Maintenance of Overhead Lines | 1,007 | (1,007) | 0 |
| Indiana Michigan Power Company | 5940 - Maint of Underground Lines | 173 | (173) | 0 |
| Indiana Michigan Power Company | 5950 - Maint of Lne Trnf, Rglators&Dvi | 22 | (22) | 0 |
| Indiana Michigan Power Company | 5960 - Maint of Strt Lghtng & Sgnal S | 7 | (7) | 0 |
| Indiana Michigan Power Company | 9030 - Cust Records & Collection Exp | 527 | (527) | 0 |
| Indiana Michigan Power Company | 9200 - Administrative & Gen Salaries | 71,653 | (71,653) | 0 |
| Kentucky Power Company | 1070 - Construction Work In Progress | 29 | (29) | 0 |
| Kentucky Power Company | 1080 - Accum Prov for Deprec of Plant | 10 | (10) | 0 |
| Kentucky Power Company | 1630 - Stores Expense Undistributed | 2,404 | (2,404) | 0 |
| Kentucky Power Company | 1840 - Clearing Accounts | 192 | (192) | 0 |
| Kentucky Power Company | 5000 - Oper Supervision & Engineering | 3,723 | (3,723) | 0 |
| Kentucky Power Company | 5060 - Misc Steam Power Expenses | 1,275 | (1,275) | 0 |
| Kentucky Power Company | 5120 - Maintenance of Boiler Plant | 3,652 | (3,652) | 0 |
| Kentucky Power Company | 5130 - Maintenance of Electric Plant | 591 | (591) | 0 |
| Kentucky Power Company | 5140 - Maintenance of Misc Steam Plt | 1,739 | (1,739) | 0 |
| Kentucky Power Company | 5830 - Overhead Line Expenses | 204 | (204) | 0 |
| Kentucky Power Company | 5860 - Meter Expenses | (55) | 55 | 0 |
| Kentucky Power Company | 5880 - Miscellaneous Distribution Exp | 88 | (88) | 0 |
| Kentucky Power Company | 5930 - Maintenance of Overhead Lines | 273 | (273) | 0 |
| Kentucky Power Company | 9010 - Supervision - Customer Accts | 69 | (69) | 0 |
| Kentucky Power Company | 9200 - Administrative & Gen Salaries | 23,768 | (23,768) | 0 |
| Kingsport Power Company | 5860 - Meter Expenses | 9 | (9) | 0 |
| Ohio Power Company | 1070 - Construction Work In Progress | 23,115 | (23,115) | 0 |
| Ohio Power Company | 1080 - Accum Prov for Deprec of Plant | 1,082 | (1,082) | 0 |
| Ohio Power Company | 1630 - Stores Expense Undistributed | 1,653 | (1,653) | 0 |
| Ohio Power Company | 1840 - Clearing Accounts | 4,477 | (4,477) | 0 |
| Ohio Power Company | 1880 - R&D Expenses | 5 | (5) | 0 |
| Ohio Power Company | 5600 - Oper Supervision & Engineering | 48 | (48) | 0 |
| Ohio Power Company | 5660 - Misc Transmission Expenses | 292 | (292) | 0 |
| Ohio Power Company | 5800 - Oper Supervision & Engineering | 10,179 | (10,179) | 0 |
| Ohio Power Company | 5830 - Overhead Line Expenses | 341 | (341) | 0 |
| Ohio Power Company | 5840 - Underground Line Expenses | 79,319 | (79,319) | 0 |
| Ohio Power Company | 5860 - Meter Expenses | 3,774 | (3,774) | 0 |

| | | | | |
|------------------------------------|---------------------------------------|--------------------|---------------------|-------------------|
| Ohio Power Company | 5880 - Miscellaneous Distribution Exp | 4,956 | (4,956) | 0 |
| Ohio Power Company | 5890 - Rents | 332 | (332) | 0 |
| Ohio Power Company | 5930 - Maintenance of Overhead Lines | 1,263 | (1,263) | 0 |
| Ohio Power Company | 5950 - Maint of Lne Trnf,Rglators&Dvi | 1 | (1) | 0 |
| Ohio Power Company | 9030 - Cust Records & Collection Exp | 952 | (952) | 0 |
| Ohio Power Company | 9080 - Customer Assistance Expenses | 153 | (153) | 0 |
| Ohio Power Company | 9110 - Supervision - Sales Expenses | 32 | (32) | 0 |
| Ohio Power Company | 9200 - Administrative & Gen Salaries | 43,676 | (43,676) | 0 |
| Public Service Company of Oklahoma | 1070 - Construction Work In Progress | 375,015 | (375,015) | 0 |
| Public Service Company of Oklahoma | 1080 - Accum Prov for Deprec of Plant | 5,052 | (5,052) | 0 |
| Public Service Company of Oklahoma | 1630 - Stores Expense Undistributed | 38,361 | (38,361) | 0 |
| Public Service Company of Oklahoma | 1840 - Cleanng Accounts | 30,351 | (30,351) | 0 |
| Public Service Company of Oklahoma | 1880 - R&D Expenses | 1,502 | (1,502) | 0 |
| Public Service Company of Oklahoma | 5000 - Oper Supervision & Engineering | 43,531 | (43,531) | 0 |
| Public Service Company of Oklahoma | 5060 - Misc Steam Power Expenses | 1,552 | (1,552) | 0 |
| Public Service Company of Oklahoma | 5100 - Maint Supv & Engineering | 52,638 | (52,638) | 0 |
| Public Service Company of Oklahoma | 5110 - Maintenance of Structures | 126 | (126) | 0 |
| Public Service Company of Oklahoma | 5120 - Maintenance of Boiler Plant | 349 | (349) | 0 |
| Public Service Company of Oklahoma | 5130 - Maintenance of Electric Plant | 6,273 | (6,273) | 0 |
| Public Service Company of Oklahoma | 5140 - Maintenance of Misc Steam Plt | 438 | (438) | 0 |
| Public Service Company of Oklahoma | 5600 - Oper Supervision & Engineering | 21,048 | (21,048) | 0 |
| Public Service Company of Oklahoma | 5612 - Load Dispatch-Mntr&Op TransSys | 100 | (100) | 0 |
| Public Service Company of Oklahoma | 5620 - Station Expenses | 3,437 | (3,437) | 0 |
| Public Service Company of Oklahoma | 5630 - Overhead Line Expenses | 13 | (13) | 0 |
| Public Service Company of Oklahoma | 5660 - Misc Transmission Expenses | 31,071 | (31,071) | 0 |
| Public Service Company of Oklahoma | 5700 - Maint of Station Equipment | 38,588 | (38,588) | 0 |
| Public Service Company of Oklahoma | 5710 - Maintenance of Overhead Lines | 13,228 | (13,228) | 0 |
| Public Service Company of Oklahoma | 5800 - Oper Supervision & Engineering | 17,958 | (17,958) | 0 |
| Public Service Company of Oklahoma | 5840 - Underground Line Expenses | (1,055) | 1,055 | 0 |
| Public Service Company of Oklahoma | 5860 - Meter Expenses | 16,063 | (16,063) | 0 |
| Public Service Company of Oklahoma | 5870 - Customer Installations Exp | 144 | (144) | 0 |
| Public Service Company of Oklahoma | 5880 - Miscellaneous Distribution Exp | 2,781 | (2,781) | 0 |
| Public Service Company of Oklahoma | 5920 - Maint of Station Equipment | 16,178 | (16,178) | 0 |
| Public Service Company of Oklahoma | 5930 - Maintenance of Overhead Lines | 77,315 | (77,315) | 0 |
| Public Service Company of Oklahoma | 5950 - Maint of Lne Trnf,Rglators&Dvi | 25 | (25) | 0 |
| Public Service Company of Oklahoma | 5960 - Maint of Strt Lghtng & Sgnal S | 7 | (7) | 0 |
| Public Service Company of Oklahoma | 9030 - Cust Records & Collection Exp | 4,176 | (4,176) | 0 |
| Public Service Company of Oklahoma | 9200 - Administrative & Gen Salaries | 36,950 | (36,950) | 0 |
| Public Service Company of Oklahoma | 9350 - Maintenance of General Plant | 8,670 | (8,670) | 0 |
| Wheeling Power Company | 5860 - Meter Expenses | 14 | (14) | 0 |
| Wheeling Power Company | 5930 - Maintenance of Overhead Lines | (1) | 1 | 0 |
| Wheeling Power Company | 9200 - Administrative & Gen Salaries | 144 | (144) | 0 |
| Grand Total | | 108,026,803 | (69,205,472) | 38,821,330 |

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-6:

Refer to SWEPCO's response to Staff 5-32. Please confirm that all amounts reported are included in the Company's requested revenue requirement. If confirmed, please provide the location of such expenses in SWEPCO's request in this proceeding by schedule number, line number, and FERC account. For each separate amount identified in this response that is included in SWEPCO's requested revenue requirement, please provide the total amount billed to all AEP companies combined (including SWEPCO). If not included in SWEPCO's requested cost of service, please provide a reference to the associated pro forma adjustment by amount that was removed.

Response No. STAFF 9-6:

The amounts reported on the response to Staff 5-32 are not all included in the Company's requested revenue requirement. Please see Staff 9-6 Attachment 1 for the total amount billed to all AEP affiliates combined (including SWEPCO). Based on analysis of the associated pro forma adjustments made by the Company, approximately 72% of the Stock Awards were removed from the requested cost of service as part of the pro forma adjustment number 3 noted on page 12 of Company Witness Frantz' Direct Testimony. Approximately 64% of the Non-Equity Incentive Plan Compensation were removed from the requested cost of service as part of the pro forma adjustment number 2 noted on page 12 of Company Witness Frantz' Direct Testimony. All of the Supplemental Retirement Savings Plan amounts were removed from the requested cost of service as part of the pro forma adjustment number 11 noted on page 13 of Company Witness Frantz' Direct Testimony. The remaining amounts were included in the revenue requirement by FERC account as listed in the response to Staff 5-32.

Prepared By: Brian J. Frantz

Title: Dir Accounting

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Brian J. Frantz

Title: Dir Accounting

SOUTHWESTERN ELECTRIC POWER COMPANY
Executive Compensation
Billed from AEPSC to All AEP Affiliates by FERC Account by Type
For The Test Year Ended March 31, 2020

| Executive | FERC Acct | Salary | Stock Awards | Non-Equity Incentive Plan Compensation | Change in Pension Value and Nonqualified Deferred | Retirement Savings Plan | Supplemental Retirement Savings Plan | Perquisites |
|--------------------|---------------------------------------|------------------|-------------------|-------------------------------------------|------------------------------------------------------------|----------------------------|--------------------------------------------|---------------|
| | | | | | Compensation | | | |
| Executive #1 | 1880 - R&D Expenses | 11,236 | 66,815 | 27,411 | 4,037 | 96 | 589 | 165 |
| Executive #1 | 4170 - Revenues from Non-Util Oper | 1,704 | 10,131 | 4,156 | 612 | 15 | 89 | 25 |
| Executive #1 | 4264 - Civic & Political Activities | 34,976 | 207,988 | 85,328 | 12,566 | 299 | 1,835 | 513 |
| Executive #1 | 5000 - Oper Supervision & Engineering | 29,119 | 173,156 | 71,038 | 10,461 | 249 | 1,527 | 427 |
| Executive #1 | 5280 - Maint Supv & Engineering | 12,532 | 74,525 | 30,574 | 4,502 | 107 | 657 | 184 |
| Executive #1 | 9200 - Administrative & Gen Salaries | 1,103,712 | 6,563,246 | 2,692,613 | 396,525 | 9,424 | 57,891 | 16,177 |
| Executive #1 | 9230 - Outside Services Employed | 202,915 | 1,206,640 | 495,032 | 72,900 | 1,733 | 10,643 | 2,974 |
| Executive #1 | 9302 - Misc General Expenses | 79,459 | 472,505 | 193,848 | 28,547 | 678 | 4,168 | 1,165 |
| Executive #2 | 4170 - Revenues from Non-Util Oper | 96 | 527 | 134 | 28 | 2 | 6 | 3 |
| Executive #2 | 9200 - Administrative & Gen Salaries | 579,505 | 3,190,630 | 812,729 | 171,196 | 12,413 | 39,024 | 15,354 |
| Executive #2 | 9230 - Outside Services Employed | 8,654 | 47,645 | 12,136 | 2,556 | 185 | 583 | 229 |
| Executive #3 | 1830 - Prelimin Surv&Investg'n Chrgs | 2,031 | 4,333 | 2,593 | 522 | 38 | 141 | 41 |
| Executive #3 | 4170 - Revenues from Non-Util Oper | 461 | 983 | 589 | 118 | 9 | 32 | 9 |
| Executive #3 | 5000 - Oper Supervision & Engineering | 1,863 | 3,974 | 2,378 | 478 | 35 | 130 | 37 |
| Executive #3 | 9200 - Administrative & Gen Salaries | 502,153 | 1,071,076 | 641,035 | 128,935 | 9,338 | 34,978 | 10,106 |
| Executive #3 | 9230 - Outside Services Employed | 153,151 | 326,665 | 195,508 | 39,324 | 2,848 | 10,668 | 3,082 |
| Executive #3 | 9250 - Injures and Damages | 17,193 | 36,672 | 21,948 | 4,415 | 320 | 1,198 | 346 |
| Executive #3 | 9280 - Regulatory Commission Exp | 744 | 1,586 | 949 | 191 | 14 | 52 | 15 |
| Executive #4 | 1070 - Construction Work In Progress | 41,022 | 75,704 | 53,330 | 14,749 | 840 | 2,797 | 1,352 |
| Executive #4 | 4170 - Revenues from Non-Util Oper | 439 | 810 | 570 | 158 | 9 | 30 | 14 |
| Executive #4 | 9200 - Administrative & Gen Salaries | 558,021 | 1,029,811 | 725,458 | 200,630 | 11,426 | 38,042 | 18,390 |
| Executive #4 | 9230 - Outside Services Employed | 15,877 | 29,300 | 20,641 | 5,708 | 325 | 1,082 | 523 |
| Executive #5 | 4170 - Revenues from Non-Util Oper | 590 | 3,026 | 810 | 350 | 9 | 47 | 15 |
| Executive #5 | 9200 - Administrative & Gen Salaries | 724,887 | 3,715,369 | 994,499 | 429,735 | 11,517 | 57,549 | 18,281 |
| Executive #5 | 9230 - Outside Services Employed | 67,562 | 346,285 | 92,691 | 40,053 | 1,073 | 5,364 | 1,704 |
| Grand Total | | 4,149,901 | 18,659,400 | 7,178,000 | 1,569,298 | 63,000 | 269,123 | 91,131 |

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PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-7:

Refer to the response to Staff 5-55. Please provide separately the amount of the estimated \$180 million in potential fuel savings by year classified as reconcilable fuel and base rate fuel expenses.

Response No. STAFF 9-7:

The information provided in response to Staff 5-55 compares the overall SWEPCO revenue requirements developed from the output of the Plexos modeling. The Plexos model does not produce an output that enables the company to break down that revenue requirement into fuel components without performing additional analysis, which the company has not performed.

Prepared By: Christopher N. Martel

Title: Regulatory Consultant Sr

Sponsored By: Thomas P. Brice

Title: VP Regulatory & Finance

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-8:

Please provide separately the amount of fuel expenses incurred for the Dolet Hills power plant included in reconcilable fuel expenses for the test year and the amount included in the requested base rate revenue requirement by FERC account.

Response No. STAFF 9-8:

The amount of fuel expenses incurred for the Dolet Hills power plant included in reconcilable fuel expenses for the test year was \$53,859,801 in FERC account 5010, and \$1,628,276 in FERC account 5020. The amount included in the requested base rate revenue requirement was \$1,847,918 in FERC account 5010, and \$1,358,017 in FERC account 5020.

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION

Question No. STAFF 9-9:

Refer to the response to Staff 5-62.

- a) What is the amount of equity SWEPCO has invested in Dolet Hill Lignite Company?
- b) Assuming Dolet Hills power plant closes as currently expected by 12/31/2021, when does SWEPCO anticipate it will receive its equity investment back?
- c) What are the estimated reclamation costs?
- d) What amount of the estimated reclamation costs have already been recovered from SWEPCO ratepayers through fuel expense or otherwise? Provide amounts by year.

Response No. STAFF 9-9:

- a) The amount of Shareholder's Equity (including Retained Earnings and Accumulated Comprehensive Income) on DHLC's books all related to SWEPCO as of March 31, 2020 was \$24,904,389.
- b) A significant portion of the equity is currently expected to be returned to SWEPCO before the end of 2023.
- c) The DHLC Asset Retirement Obligation recorded under GAAP as of March 31, 2020 was \$110,485,347.
- d) Under GAAP, AROs represent the estimated liability for costs of a legal obligation associated with retiring an asset. An example of this type of legal obligation would be the final mine reclamation costs for the Dolet Hills lignite mine. DHLC has recorded the present value of the estimated cost of the legal obligation associated with retiring the asset as a component of the cost of the asset itself when the asset is placed into service, also referred to as the ARO Asset, and recorded a corresponding credit to ARO liability. During the life of the asset, the DHLC adjusts the ARO Asset for increases and decreases in the estimated ARO liability. DHLC depreciates the ARO Asset, as adjusted, prospectively over the useful life of related asset. In addition, each accounting period, accretion expense is recorded and increases the ARO liability consistent with the present value concept applied to the original ARO liability. DHLC incurs these costs, both depreciation of the ARO Asset and accretion expense, and bills them to SWEPCO in accordance with the lignite mining agreement as a component of the cost of lignite delivered. Fuel expense is charged as the lignite is burned at the Dolet Hills Power Station. We cannot determine the component of lignite fuel inventory or fuel expense each year related to reclamation costs as those costs are blended in with all other costs to produce the lignite.

Prepared By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Thomas P. Brice

Title: VP Regulatory & Finance

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION

Question No. STAFF 9-10:

Refer to the Unanimous Modified Settlement Agreement filed 1/10/2020 with the Arkansas Public Service Commission in Docket No. 19-008-U. Please provide copies of all filings related to the agreement to retire the Dolet Hills plant consistent with Item 6C of that agreement which states in part, "The Company commits to make the necessary filings at least 12 months prior to the retirement date and will inform the parties of the date certain for said filing as soon as practical after consultation with its co-owner." If the Company has made no such filings, explain why not if it expects a retirement date of no later than December 31, 2021 for the Dolet Hills plant.

Response No. STAFF 9-10:

SWEPCO made a filing related to the agreement on November 25, 2020. The filed version of that document can be found at http://www.apscservices.info/pdf/19/19-008-U_306_1.pdf

Prepared By: Christopher N. Martel

Title: Regulatory Consultant Sr

Prepared By: Lynn M. Ferry-Nelson

Title: Dir Regulatory Svcs

Sponsored By: Thomas P. Brice

Title: VP Regulatory & Finance

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-11:

Does SWEPCO's proposed adjustment to remove test year operations and maintenance expenses associated with the Knox Lee, Lone Star, and Lieberman plants include property insurance expenses? If not, please provide the amount of test year property insurance included in the requested revenue requirement for each plant.

Response No. STAFF 9-11:

SWEPCO's proposed adjustment to remove test year operations and maintenance expenses associated with the Knox Lee, Lone Star, and Lieberman plants did not include property insurance expenses. Property insurance is not allocated at the plant level.

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-12:

Please provide electronic workbooks for Schedule G-7.4 (and all G-7.4 related sub-schedules) that have been corrected to remove all “#REF!” errors throughout. If already provided, please identify where they were provided.

Response No. STAFF 9-12:

See Staff 9-12 Attachment 1 (provided electronically on the PUC Interchange) for the electronic workbooks for Schedule G-7.4 and all sub-schedules corrected to remove all “#REF” errors.

Prepared By: Jessica M. Criss

Title: Tax Analyst Prin

Sponsored By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION

Question No. STAFF 9-13:

Please refer to electronic workbook titled G-7 NC Federal Income Tax (no G-7.3), the sheet labeled "G 7.4b CALCULATIONS" and provide the dollar value that is supposed to be in cell F34 (labeled "To adjust for a Stand-Alone Federal Net Operating Loss").

Response No. STAFF 9-13:

Cell F34 in the sheet labeled "G 7.4b CALCULATIONS" should have a value of \$455,122,490. See the electronic workbook provided in response to Staff 9-12.

Prepared By: Jessica M. Criss

Title: Tax Analyst Prin

Sponsored By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-14:

Please provide each individual pro forma adjustment made by schedule number, line number, and FERC account number to the test year end actual balances (per the 3/31/20 trial balance at Schedule A-4) to reflect SWEPCO's requested stand-alone accumulated deferred federal income tax asset related to the NOL carryforward.

Response No. STAFF 9-14:

The proforma adjustments required to reflect the results of a separate return NOL carryforward are summarized in Exhibit DAH-8 and all journal entry references below are those identified in this exhibit.

Journal entry #1 is netted with journal entry #3 to arrive at \$455,122,490 which is shown on schedule "G 7.4b CALCULATIONS" cell F34. Journal Entry #1 is the separate return NOL ADFIT at the time of the tax rate change resulting from TCJA and Journal Entry #2 provides the amount of the NOL ADFIT reduction from 1-1-18 through the end of the test year in this case.

Journal entry #2 is provides the debits and credits that would be recorded to set up the remeasured ADFIT balance as a result of TCJA. This entry is entirely rate base neutral and therefore no adjustment was made within the filing for this item.

Journal entries 4(a) and 4(b) show the accounting related to the protected excess amortization both during the test year and during the period of time from the tax rate change until the beginning of the test year respectively. The rate base impact (i.e. FERC account 2821001) of journal entries #4(a) and 5(a) are netted and result in a net credit to ADIT in rate base of \$10,042,883 which is reflected in "G 7.4b CALCULATIONS" cell F33. The tax expense impact of journal entry #4(a) is shown in "G 7.9 SWEPCO" under the test year amortization adjustment as a reduction to the test year amortization of protected excess ADFIT.

The book expense for all provisions for refund during the test year have been adjusted to arrive at zero to result in no expense being included in the cost of service. This adjustment can be seen on WP A – Lines 63-66.

Prepared By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-15:

Please provide each individual adjustment to SWEPCO's request by schedule number, line number, and FERC account number that would be necessary to reflect the actual accumulated deferred federal income tax asset related to the NOL carryforward recorded on SWEPCO's books at test year end (per the 3/20/20 trial balance at Schedule A-4).

Response No. STAFF 9-15:

There is a zero balance for ADIT associated with NOL carryforwards on SWEPCO's books (financial statements) as the result of SWEPCO's participation in the AEP consolidated federal tax return and the required accounting under GAAP for allocation of the consolidated tax liability under the group's Tax Allocation Agreement. As the trial balance reflects no ADIT balance for the NOLC, to adjust the filing to reflect the balance as zero as opposed to the separate return NOL ADFIT the pro forma adjustments as identified in the response to Staff 9-14 would need to be removed from the schedules.

Prepared By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION

Question No. STAFF 9-16:

Does SWEPCO's proposed pro forma adjustment to use the stand-alone accumulated deferred federal income tax asset related to the NOL carryforward impact the balance of either protected or unprotected excess ADFIT in any way? If so, please provide a detailed explanation and amounts with supporting calculations.

Response No. STAFF 9-16:

Yes, the proposed pro forma adjustment to include the accumulated deferred federal income tax (ADFIT) asset related to the separate return NOL carryforward does have an impact on the balance of protected excess ADFIT.

As stated on page 28 of the direct testimony of Company witness Hodgson, a with-and-without test was performed which determined that the NOL carryforward is a result of accelerated depreciation. As the NOL carryforward is a result of accelerated depreciation the excess ADFIT calculated on the NOL carryforward ADFIT balance at the time of the Tax Cuts and Jobs Act would be protected by the normalization rules in the Code. The balance of excess ADFIT related to the NOL carryforward would reduce the overall regulatory liability related to excess ADFIT related to accelerated depreciation.

Exhibit DAH-8 details the journal entries related to the pro forma adjustment for the separate return NOL carryforward and the related excess ADFIT. Journal entry #2 as identified in the exhibit indicates a debit (i.e. reduction) to the regulatory liability of \$194,453,551 (before gross-up) on a total company basis for the initial remeasurement of the ADFIT at the implementation of the 21% tax rate as a result of TCJA. Journal entries 4(a) and 5(a) as identified in the exhibit show the amounts of the amortization of the NOL carryforward excess protected ADFIT during the test year and during the period 1/1/18 until the beginning of the test year respectively. On a total company and tax basis (before gross-up) the ARAM amortization for the NOL carryforward excess protected ADFIT during the test year is \$4,664,032 and for the period starting 1/1/18 until the beginning of the test year is \$5,378,851 for a total of \$10,042,883.

See Staff 9-16 Attachment 1 for the calculations of the test year and cumulative adjustments to protected excess amortization for the NOL carryforward. This schedule shows the amortization per the ARAM for each year and for each loss year.

Prepared By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

**Protected Excess ARAM Amortization
NOL Carryforward ADFIT**

| | | | | | Total Thru End of Test Year | Test Year Amortization Pro Forma to COS |
|----------------------|-----------------|-------------|-------------|-------------|----------------------------------------|------------------------------------------------------------|
| Calendar Year | NOL Year | 2012 | 2016 | 2017 | | |
| 2018 | | (4,255,552) | 4 | (88,465) | (4,344,012) | - |
| 2019 | | (4,371,674) | 17 | (254,746) | (4,626,403) | (3,469,802.02) |
| Q1 2020 | | (1,112,644) | (12) | (81,690) | <u>(1,194,345)</u> | <u>(1,194,345)</u> |
| | | | | | (10,164,760) | (4,664,147) |

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-17:

Please provide a copy of the AEP and subsidiary companies federal income tax sharing agreement.

Response No. STAFF 9-17:

Please see 9-17 Attachment 1 for a copy of the tax agreement for allocating consolidated income taxes for AEP Inc. and its consolidated affiliates.

Prepared By: Jessica M. Criss

Title: Tax Analyst Prin

Sponsored By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

**AMERICAN ELECTRIC POWER COMPANY, INC. AND
ITS CONSOLIDATED AFFILIATES ---
2019 TAX AGREEMENT REGARDING METHOD OF
ALLOCATING CONSOLIDATED INCOME TAXES**

The below listed affiliated companies, joining in the annual filing of a consolidated federal income tax return with American Electric Power Company, Inc., under the provisions of sections 1501 and 1502 of the Internal Revenue Code (the "Code") and the Treasury Regulations thereunder, agree to allocate the consolidated annual net current federal income tax liability and/or benefit to the members of the consolidated group in accordance with the following procedures:

- (1) The consolidated regular federal income tax, exclusive of capital gains and preference taxes and before the application of general business credits including foreign tax credits, shall be apportioned among the members of the consolidated group based on corporate taxable income. Loss companies shall be included in the allocation, receiving a negative tax allocation which is similar to a separate return carryback refund, before considering general business credits, which would have resulted had the loss company historically filed a separate return.
- (2) The corporate taxable income of each member of the group shall be first reduced by its proportionate share of American Electric Power Company, Inc.'s (the holding company) tax loss (excluding the effects of extraordinary items which do not apply to the regulated business) in arriving at adjusted corporate taxable income for each member of the group with positive taxable income.
- (3) To the extent that the consolidated and corporate taxable incomes include material items taxed at rates other than the statutory tax rate (such as capital gains and preference items), the portion of the consolidated tax attributable to these items shall be apportioned directly to the members of the group giving rise to such items.
- (4) General business credits, other tax credits, and foreign tax credits shall be equitably allocated to those members whose investments or contributions generates the tax credit.
- (5) If the tax credits can not be entirely utilized to offset the consolidated tax liability, the tax credit carryover shall be equitably allocated to those members whose investments or contributions generated the credit.
- (6) Should the consolidated group generate a net operating tax loss for a calendar year, the tax benefits of any resultant carryback refund shall be allocated proportionately to member companies that generated corporate tax losses in the year the consolidated net operating loss was generated.

Any related loss of general business credits, shall be allocated to the member companies that utilized the credits in the prior year in the same proportion that the credit lost is to the total credit utilized in the prior year. A consolidated net operating tax loss carryforward shall be allocated proportionately to member companies that generated the original tax losses that gave rise to the consolidated net operating tax loss carryforward.

- (7) A member with a net positive tax allocation shall pay the holding company the net amount allocated, while a tax loss member with a net negative tax allocation shall receive current payment from the holding company in the amount of its negative allocation. The payment made to a member with a tax loss should equal the amount by which the consolidated tax is reduced by including the member's net corporate tax loss in the consolidated tax return. The holding company shall pay to the Internal Revenue Service the consolidated group's net current federal income tax liability from the net of the receipts and payments.
- (8) No member of the consolidated group shall be allocated a federal income tax which is greater than the federal income tax computed as if such member had filed a separate return.
- (9) In the event the consolidated tax liability is subsequently revised by Internal Revenue Service audit adjustments, amended returns, claims for refund, or otherwise, such changes shall be allocated in the same manner as though the adjustments on which they are based had formed part of the original consolidated return using the tax allocation agreement which was in effect at that time.

Any current state tax liability and/or benefit associated with a state tax return involving more than one member of the consolidated group, shall be allocated to such members following the principles set forth above for current federal income taxes. Due to certain states utilizing a unitary approach, the consolidated return liability may exceed the sum of the liabilities computed for each company on a separate return basis. If this occurs, the excess of the consolidated liability over the sum of the separate return liabilities shall be allocated proportionally based on each member's contribution to the consolidated apportionment percentage. If additional tax is attributable to a significant transaction or event, such additional tax shall be allocated directly to the members who are party to said transaction or event.

This agreement is subject to revision as a result of changes in federal and state tax law and relevant facts and circumstances.

The above procedures for apportioning the consolidated annual net current federal and state tax liabilities and expenses of American Electric Power Company, Inc. and its

consolidating affiliates have been agreed to by each of the below listed members of the consolidated group as evidenced by the signature of an officer of each company.

Any additional company that becomes a member of the consolidated group, within the meaning of section 1504 of the Code, shall become a party to this agreement by amendment thereto. This agreement shall cease to apply with respect to any company that is a party hereto that ceases to be a member of the consolidated group, effective for all tax years of such company beginning after the company ceases to be a member of the consolidated group.

| COMPANY | OFFICER'S SIGNATURE |
|-------------------------------------------------|------------------------|
| American Electric Power Company, Inc. | /S/ |
| American Electric Power Service Corporation | /S/ |
| Abstract Digital, LLC | /S/ |
| AEP Appalachian Transmission Company, Inc. | /S/ |
| AEP Clean Energy Resources, LLC | /S/ |
| AEP Coal, Inc. | /S/ |
| AEP Credit, Inc. | /S/ |
| AEP Energy, Inc. | /S/ |
| AEP Energy Partners, Inc. | /S/ |
| AEP Energy Services, Inc. | /S/ |
| AEP Energy Services Gas Holding Company | /S/ |
| AEP Energy Supply LLC | /S/ |
| AEP Generating Company | /S/ |
| AEP Generation Resources, Inc. | /S/ |
| AEP Indiana Michigan Transmission Company, Inc. | /S/ |

| | |
|-----------------------------------------------|------------|
| AEP Investments, Inc. | <u>/S/</u> |
| AEP Kentucky Coal, LLC | <u>/S/</u> |
| AEP Kentucky Transmission Company, Inc. | <u>/S/</u> |
| AEP Nonutility Funding, LLC | <u>/S/</u> |
| AEP Ohio Transmission Company, Inc. | <u>/S/</u> |
| AEP Oklahoma Transmission Company, Inc. | <u>/S/</u> |
| AEP OnSite Partners, LLC | <u>/S/</u> |
| AEP Pro Serv, Inc. | <u>/S/</u> |
| AEP Properties, LLC | <u>/S/</u> |
| AEP Renewables, LLC | <u>/S/</u> |
| AEP Retail Energy Partners, LLC | <u>/S/</u> |
| AEP Southwestern Transmission Company, Inc. | <u>/S/</u> |
| AEP Storage Holding Company, LLC | <u>/S/</u> |
| AEP Storage New York, LLC | <u>/S/</u> |
| AEP T & D Services, LLC | <u>/S/</u> |
| AEP Texas Central Transition Funding, LLC | <u>/S/</u> |
| AEP Texas Central Transition Funding II, LLC | <u>/S/</u> |
| AEP Texas Central Transition Funding III, LLC | <u>/S/</u> |
| AEP Texas Inc. | <u>/S/</u> |
| AEP Texas North Generation Company, LLC | <u>/S/</u> |
| AEP Texas Restoration Funding LLC | <u>/S/</u> |
| AEP Transmission Company, LLC | <u>/S/</u> |
| AEP Transmission Holding Company, LLC | <u>/S/</u> |

| | |
|----------------------------------------------|------------|
| AEP Transmission Partner, LLC | <u>/S/</u> |
| AEP Utility Funding, LLC | <u>/S/</u> |
| AEP West Virginia Transmission Company, Inc. | <u>/S/</u> |
| AEP Wind Holdings, LLC | <u>/S/</u> |
| Appalachian Consumer Rate Relief Funding LLC | <u>/S/</u> |
| Appalachian Power Company | <u>/S/</u> |
| Blackhawk Coal Company | <u>/S/</u> |
| Bold Transmission, LLC | <u>/S/</u> |
| Boulder Solar II, LLC | <u>/S/</u> |
| Brainerd Solar LLC | <u>/S/</u> |
| Broad Street Fuel Cell, LLC | <u>/S/</u> |
| BSE Solutions, LLC | <u>/S/</u> |
| Cedar Coal Company | <u>/S/</u> |
| Central Appalachian Coal Company | <u>/S/</u> |
| Central Coal Company | <u>/S/</u> |
| Century West PNL LLC | <u>/S/</u> |
| Conesville Coal Preparation Company | <u>/S/</u> |
| CSW Energy, Inc. | <u>/S/</u> |
| Dolet Hills Lignite Company, LLC | <u>/S/</u> |
| Dynasty PNL LLC | <u>/S/</u> |
| Exeter Solar Power 1, LLC | <u>/S/</u> |
| Franklin Real Estate Company | <u>/S/</u> |
| Garnet Solar Partners, LLC | <u>/S/</u> |

| | |
|--------------------------------------------|------------|
| Imboden II Solar, LLC | <u>/S/</u> |
| Imboden III Solar, LLC | <u>/S/</u> |
| Indiana Franklin Realty, Inc. | <u>/S/</u> |
| Indiana Michigan Power Company | <u>/S/</u> |
| Jacumba Solar, LLC | <u>/S/</u> |
| Kamaaha PNL LLC | <u>/S/</u> |
| Kentucky Power Company | <u>/S/</u> |
| Kingsport Power Company | <u>/S/</u> |
| Kyte Works, LLC | <u>/S/</u> |
| Kona CE, LLC | <u>/S/</u> |
| Midwest Energy Finance, LLC | <u>/S/</u> |
| Mutual Energy SWEPCO LLC | <u>/S/</u> |
| North Smithfield Solar Power 1, LLC | <u>/S/</u> |
| Northwest Jacksonville Solar Partners, LLC | <u>/S/</u> |
| Ogdensburg Solar Partners, LLC | <u>/S/</u> |
| Ohio Franklin Realty, LLC | <u>/S/</u> |
| Ohio Phase-In Recovery Funding LLC | <u>/S/</u> |
| Ohio Power Company | <u>/S/</u> |
| Pavant Solar III LLC | <u>/S/</u> |
| Price River Coal Company, Inc. | <u>/S/</u> |
| Public Service Company of Oklahoma | <u>/S/</u> |
| Quincy II Solar Garden LLC | <u>/S/</u> |
| Rutland Renewable Energy LLC | <u>/S/</u> |

| | |
|-------------------------------------|------------|
| Snowcap Coal Company, Inc. | <u>/S/</u> |
| SoCore Sherburne 1 LLC | <u>/S/</u> |
| Southern Appalachian Coal Company | <u>/S/</u> |
| Southwest Arkansas Utilities Corp. | <u>/S/</u> |
| Southwestern Electric Power Company | <u>/S/</u> |
| SSLV PNL LLC | <u>/S/</u> |
| Trout Creek Solar, LLC | <u>/S/</u> |
| Twin Lantern Solar Partners, LLC | <u>/S/</u> |
| United Sciences Testing, Inc. | <u>/S/</u> |
| Wheeling Power Company | <u>/S/</u> |

SOAH DOCKET NO. 473-21-0538

PUC DOCKET NO. 51415

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-18:

Refer to Schedule G-7.3b of the rate filing package filed by SWEPCO in Docket No. 46449 at lines 15-20 which states, "The consolidated regular tax is allocated among the members of the group based on the ratio of each member's separate return corporate taxable income to the total separate return corporate taxable income. With the exception of the parent company, each member of the group having a separate return corporate taxable loss will be included in the allocation of the regular consolidated tax and will receive current payment for the reduction in the regular consolidated tax liability resulting from the inclusion of the losses in the consolidated return." Has this provision of the tax sharing agreement changed since the test year in Docket No. 46449? If it was changed, how and why was it changed?

Response No. STAFF 9-18:

The tax allocation agreement has not been modified since the test year in Docket No. 46449. The agreement (see 9-17 Attachment 1) states that any member of the consolidated group with a positive tax allocation will pay the holding company its net tax due. It also states that the holding company will make a payment to a member with a negative tax allocation to the extent that the consolidated group's tax is reduced by that member's negative tax allocation. The tax allocation agreement dictates the movement of cash between members of the consolidated group.

Prepared By: Jessica M. Criss

Title: Tax Analyst Prin

Sponsored By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-19:

Were any of SWEPCO's taxable losses reported on Schedule G-7.13(f) used to reduce the amount of consolidated taxable income or consolidated taxes paid by the AEP consolidated group? If so, please provide the amount of SWEPCO taxable losses utilized by year and the balance remaining at the end of each year.

Response No. STAFF 9-19:

SWEPCO is a member of AEP Inc.'s consolidated tax return group. The taxable income of the consolidated return includes the income and losses of all members of the consolidated group. The income and losses of SWEPCO reported on Schedule G-7.13(f) increased or decreased the consolidated taxable income of the group in any given tax year. Staff 9-19 Attachment 1 provides a schedule showing the tax return year in which the AEP Inc. consolidated group utilized the losses of SWEPCO to offset the income of other members of the group and any unused SWEPCO loss balance remaining unutilized at the end of each year.

Prepared By: Jessica M. Criss

Title: Tax Analyst Prin

Sponsored By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

| | | Tax Loss Utilized by AEP Consolidated | | | | | | | | | | | |
|--------------------------------|----------------------------------|---------------------------------------|------------|------|-------------|-------------|-------------|-------------|-------------|------------|------------|-----------|---------|
| Tax Year | SWEP Taxable Income (Loss) | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Q1 2020 |
| 2009 | 46,739,333 | | | | | | | | | | | | |
| 2010 | (58,670,714) | | 58,670,714 | | | | | | | | | | - |
| 2011 | 55,366,940 | | | | | | | | | | | | - |
| 2012 | (1,207,127,066) | | | | 729,914,069 | | 477,212,997 | | | | | | - |
| 2013 | 61,224,910 | | | | | | | | | | | | |
| 2014 | 56,112,581 | | | | | | | | | | | | |
| 2015 | 114,448,324 | | | | | | | | | | | | |
| 2016 | (358,866,044) | | | | | | | | 332,672,840 | | 26,193,204 | | - |
| 2017 | (98,182,199) | | | | | | | 34,878,110 | | | 55,137,567 | | - |
| | (1,388,953,935) | | | | | | | | | | | 8,166,523 | - |
| 2018 | 57,203,764 | | | | | | | | | | | | |
| 2019 | 80,238,343 | | | | | | | | | | | | |
| Q1 2020 | 10,231,165 | | | | | | | | | | | | |
| | 147,673,272 | | | | | | | | | | | | |
| Tax loss balance unused by AEP | | - | - | - | 477,212,997 | 477,212,997 | - | 422,170,133 | 89,497,293 | 89,497,293 | 8,166,523 | 8,166,523 | 0 |

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION

Question No. STAFF 9-20:

Refer to the answer to question Staff 9-19.

- a) If any of SWEPCO's taxable losses were used to reduce the amount of consolidated taxable income or consolidated taxes paid by the AEP consolidated group, has SWEPCO received any payments or other compensation from its parent or affiliates for the use of such losses?
- b) If SWEPCO has received payments or compensation for the use of such losses, please provide by year the amounts received by affiliate and provide detailed calculations with explanations of how such amounts were determined.
- c) Please provide the journal entries recorded by SWEPCO related to each payment received.
- d) If SWEPCO received such payments during the test year, where are they reflected in SWEPCO's requested revenue requirement and where are they reflected on Schedule A-4 (3/31/20 trial balance)?
- e) If SWEPCO received such payments during the test year and the payments are not reflected in its requested revenue requirement, why not?
- f) If any of SWEPCO's taxable losses reported on Schedule G-7.13(f) were used to reduce the amount of consolidated taxable income or consolidated taxes paid by the AEP consolidated group, and SWEPCO did not receive compensation for the use of such taxable net operating losses, why did it not receive compensation?

Response No. STAFF 9-20:

- a) Yes, SWEPCO participates in the AEP consolidated federal return and its Tax Allocation Agreement. The agreement states that the holding company will provide a payment to any tax loss member equal to "the amount by which the consolidated tax is reduced by including the member's net corporate tax loss in the consolidated tax return." AEP affiliates receiving any payment from the holding company under the tax allocation agreement as the result of tax losses are therefore dependent upon other companies within the consolidated group generating taxable income. Any such payments received by a loss affiliate represent the tax obligation of income affiliates that have been deferred as the result of filing a consolidated return and are not the direct result of the regulated operations of the loss affiliate. Under the Tax Allocation Agreement SWEPCO has received payments from AEP Inc. as a result of its losses as reported on Staff 9-19 Attachment 1.

- b) See Staff 9-19 Attachment 1 for a schedule of the utilization of SWEPCO's NOL by the AEP consolidated group by tax return year. The tax sharing agreement (Staff 9-17 Attachment 1) provides the method in which any cash allocations are calculated.
- c) An example of journal entries to record the consolidated tax sharing agreement are as follows:

Subsidiary A

Debit – Income Taxes Payable (Account 236)

Credit – Cash

AEP Inc.

Debit – Cash (From Subsidiary A)

Credit – Income Taxes Payable (Account 236)

Debit – Income Taxes Payable (Account 236)

Credit – Cash (To SWEPCO)

SWEPCO

Debit – Cash

Credit – NOLC Deferred Tax Asset (Account 190)

- d) SWEPCO participated in the consolidated tax allocation agreement during the test year. As a result of other companies within the group generating taxable income, SWEPCO received payment from the holding company under the agreement. As indicated in the response to part c) of Staff 9-20 the payment received by SWEPCO is recorded as both a credit to the deferred tax asset account and a debit to cash. Because the receipt of cash through the tax sharing agreement reduces the deferred tax asset balance for the NOL carryforward, the trial balance reflects the full DTL associated with accelerated depreciation.
- e) The requested revenue requirement is based on the recognition of a separate return net operating loss carryforward deferred tax asset as a component of the ADFIT included in rate base. The federal income taxes requested by the Company are based on revenues and expenses included in the cost of service calculation. The use of a separate return approach to the income taxes requested prevents the cross-subsidization of costs or benefits among affiliate companies.

As described on pages 12-13 of the direct testimony of Company witness David Hodgson, the proforma adjustment to reflect SWEPCO's NOL on a separate return basis is consistent with the normalization rules of the Code. The specific normalization provisions of the Code that guide the Company's proforma adjustment in this case include –

- Treasury Regulation Section 1.167(l)-1(h) and accompanying IRS rulings directly addressing instances in which accelerated depreciation produces NOLs, and

- Internal Revenue Code Section 168(i)(9)(B) which requires consistency among the assumptions used for determining the revenue requirement elements of book depreciation expense, income tax expense (the book-to-tax differences used to compute current and deferred income tax expense), and the rate base components for accumulated deferred income taxes and net book value.

As discussed by witness Hodgson on page 12 of his direct testimony, the IRS has issued a number of private letter rulings which determine that NOL carryforward ADFIT must be included in rate base when the NOL is associated with accelerated depreciation. As stated on page 28 of the direct testimony of Company witness Hodgson, the Company performed a with-and-without test which determined that the NOL carryforward is a result of accelerated depreciation. Because SWEPCO's NOL carryforward is a result of accelerated depreciation, including the proforma adjustment is consistent with the normalization requirements of the Code.

- f) SWEPCO has received payments from its parent company, AEP, Inc.

Prepared By: Jessica M. Criss

Title: Tax Analyst Prin

Sponsored By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-21:

Refer to the Commission's Order on Rehearing in Docket No. 46449. Please provide the amount of the NOL accumulated deferred income tax asset actually recorded on SWEPCO's books at the end of the test year in that proceeding and the amount of the SWEPCO stand-alone NOL accumulated deferred income tax asset at the same date. Please also provide the amount of the NOL accumulated deferred income tax asset that was reflected in the rate base used to set rates approved in that order. If the amount was any other amount than the actual test-year and book amount, please identify the evidence (testimony, etc.) presented in that proceeding for the use of a different amount.

Response No. STAFF 9-21:

SWEPCO's books at the end of the test year in Docket No. 46449 reflected a NOL accumulated deferred income tax asset of zero as a result of the Company's participation in the AEP Inc. consolidated tax sharing agreement. No adjustments were made in that proceeding to reflect the level of NOL deferred tax asset for the Company on separate return basis.

During the preparation for this filing, the Company identified risks associated with using the GAAP balance of ADFIT for ratemaking purposes. These risks are twofold. First, in instances, such as this, in which a member of a consolidated group is in an NOL position determined on a separate return basis and the NOL is the result of accelerated tax depreciation, it is inconsistent with the separate return methodology used for purposes of computing tax expense to disregard such separate return NOL in the rate base component of the company's revenue requirement. Second, there is an operational economic risk with the rate regulation associated with including a consolidated return adjustment into the rates of utility companies.

Moreover, including federal NOL carryforward ADFIT in rate base when that NOLC is generated as a result of accelerated depreciation is consistent with the normalization rules of the Code. Since SWEPCO has a separate return federal NOL carryforward resulting from accelerated depreciation at the end of the test year in this case, it is consistent with the normalization requirement for rate base to reflect the deferred tax liabilities netted with the NOL deferred tax asset.

Prepared By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-22:

Refer to the SWEPCO news release dated 10/14/2020 titled "SWEPCO Proposes Rate Change for Texas Customers." With respect to the sentence that reads "It also includes costs related to generating unit retirements, increased tax costs related to accelerated depreciation, and additional funds for vegetation management." Please provide a detailed explanation of how accelerated depreciation increases tax costs for SWEPCO's ratepayers.

Response No. STAFF 9-22:

The news release is attempting to describe the impact on rates from the inclusion of the NOL ADFIT as a component of rate base. It is described as "related to accelerated depreciation" because the federal tax losses were the result of deductions taken on returns for accelerated tax depreciation. It is a tax component of rate base which, when isolated from the overall reduction to rate base from all other ADIT, does result in an increase to rate base and as a result an increase in the rate, or cost, charged to customers.

Prepared By: Jessica M. Criss

Title: Tax Analyst Prin

Sponsored By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION

Question No. STAFF 9-23:

Please refer to the response to Staff 5-53 and provide a detailed explanation and justification for why expenses related to insurance policies for primarily former employees of the service company, AEPSC, are reasonable and necessary for the provision of electric service by SWEPCO and for inclusion in its revenue requirement. Your answer should include a list of the covered employees (including titles and what services they are providing or have provided to SWEPCO) and the types and amounts of insurance coverage for each.

Response No. STAFF 9-23:

The activity in the revenue requirement related to the AEPSC Umbrella Trust are not expenses related to insurance policies. The activity is the change in the market value of the cash surrender value of the underlying investments that AEPSC will ultimately receive, in cash, upon conclusion of the trust. Generally Accepted Accounting Principles require AEPSC to adjust the investments to market value. Over time, these investments have provided substantial benefit to customers. As stated in the response to Staff 5-53, SWEPCO has included a credit of \$(792,407) in the revenue requirement. Please also note that this treatment for the AEPSC umbrella trust is consistent with past treatment of this change in value in the case of SWEPCO's affiliate, AEP Texas Inc., in Docket No. 49494.

Prepared By: Brian J. Frantz

Title: Dir Accounting

Sponsored By: Brian J. Frantz

Title: Dir Accounting

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO COMMISSION
STAFF'S NINTH REQUEST FOR INFORMATION**

Question No. STAFF 9-24:

Refer to response to Staff 5-65, Attachment 1.

- a) For the item with the location/description "Capitalized Software FullyDepreciated: SEP: 9303FD" with a total cost of \$10,871,694.73 and \$0 of test year amortization expense, please provide an explanation and justification for the requested inclusion of \$1,855,749.93 of amortization requested for this item.
- b) For the item with location/description "Capitalized Software – Oracle:SEP: 9303ORA" with a cost of \$12,638,903.77 and \$1,264,025.22 of testyear amortization, please provide a detailed explanation and justificationfor the use of an amortization rate of 17.0696% to calculate the proposed adjustment of \$893,379.63 given that the amortization period is 10 years.
- c) For the item with location/description "Capitalized Software – Maximo.SEP: 9303MAX" with a cost of \$16,948,195.48 and \$281,834.94 of test year amortization, please provide a detailed explanation and justification for the use of an amortization rate of 17.0696% to calculate the proposed adjustment of \$2,611,146.63 given that the amortization period is 15 years.

Response No. STAFF 9-24:

Please see Staff 9-24 Attachment 1 for the corrected software amortization requested.

- a) The requested amount was included in error and has been removed. Resulting in a decrease of the requested amount of \$1,855,750.
- b) Staff 9-24 Attachment 1 (Software tab) has the calculation with the applicable rates by location/description which derives the same amount as Staff 9-24 Attachment 1 (Composite Rate tab) when the "Capitalized Software FullyDepreciated: SEP: 9303FD" is excluded.
- c) Same as b)

Prepared By: James D. Spring

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Jason A. Cash

Title: Accounting Sr Mgr

Plant Acct
30300 - Intangible Property

Data

| Asset Location | Sum of Cost | Sum of Allocated Reserve | Sum of Net Book Value | Rate | Cost X Rate | amortization limited to NBV |
|------------------------------------------------------------------|-------------|--------------------------|-----------------------|---------|-------------|-----------------------------|
| Capitalized Software - Cloud SEP 9303CLD | 456,929 | 8,723 | 448,206 | 20.000% | 91,386 | 91,386 |
| Capitalized Software - Dell SEP 9303DELL | 2,687,749 | 1,209,487 | 1,478,261 | 20.000% | 537,550 | 537,550 |
| Capitalized Software - High Availability Data Center SEP 9303HAV | 5,360,897 | 4,346,525 | 1,014,372 | 20.000% | 1,072,179 | 1,014,372 |
| Capitalized Software - Maximo SEP : 9303MAX | 16,948,195 | 281,835 | 16,666,361 | 6.670% | 1,130,445 | 1,130,445 |
| Capitalized Software - Oracle SEP 9303ORA | 12,638,904 | 3,476,345 | 9,162,558 | 10.000% | 1,263,890 | 1,263,890 |
| Capitalized Software Fully Depreciated : SEP : 9303FD | 10,871,695 | 10,871,695 | - | 20.000% | - | - |
| Capitalized Software, TX SEP : 9303TX | 18,679,691 | 7,762,202 | 10,917,489 | 20.000% | 3,735,938 | 3,735,938 |
| Capitalized Software-SEP GENERAL | 63,496,390 | 27,683,157 | 35,813,232 | 20.000% | 12,699,278 | 12,699,278 |
| Flint Creek Generating Plant : SEP PPFLC | 764,477 | 223,755 | 540,722 | 20.000% | 152,895 | 152,895 |
| HCP and NEPA Study for American Burying Beetle (ABB) SEP ABBAR | 61,819 | 2,578 | 59,241 | 20.000% | 12,364 | 12,364 |
| HCP and NEPA Study for American Burying Beetle (ABB) SEP ABBTX | 37,959 | 1,583 | 36,376 | 20.000% | 7,592 | 7,592 |
| Mattison Interconnect SEP HDMINTC | 523,301 | 137,847 | 385,453 | 20.000% | 104,660 | 104,660 |
| Stall Interconnect SEP PPSTAINC | 202,867 | 151,272 | 51,595 | 20.000% | 40,574 | 40,573 |
| Welsh Generating Plant SEP PPWSH | 337,028 | 233,895 | 103,133 | 20.000% | 67,406 | 67,406 |
| 30300 - Intangible Property Total | 133,067,900 | 56,390,900 | 76,677,000 | | 20,916,156 | 20,858,349 |

| Utility Account | Asset Location/Description | Total | Test Year | Amortization Period | Amort Rate | Calculated Amount | Adjustment Amount |
|-----------------------------|---------------------------------------------------------------------------|-------------------------|-------------------------|------------------------|------------|------------------------|-----------------------|
| | | | Amortization Expense | | | | |
| 30100 - Organization Costs | Louisiana General Plant Equipment (except Land & Buildings) : SEP : LAGEN | \$12,201.82 | \$0.00 | 0 Years | 0 0000% | \$0.00 | \$0 00 |
| 30300 - Intangible Property | Capitalized Software - Cloud : SEP : 9303CLD | \$456,929 04 | \$8,723.23 | 5 Years | 17.0696% | \$77,995.75 | \$69,272.52 |
| 30300 - Intangible Property | Capitalized Software - Dell : SEP : 9303DELL | \$2,687,748.53 | \$537,549.84 | 5 Years | 17 0696% | \$458,786.72 | (\$78,763.12) |
| 30300 - Intangible Property | Capitalized Software - High Availability Data Center : SEP : 9303HAV | \$5,360,897.35 | \$1,072,179 36 | 5 Years | 17.0696% | \$915,081.33 | (\$157,098 03) |
| 30300 - Intangible Property | Capitalized Software Fully Depreciated : SEP : 9303FD | \$10,871,694.73 | \$0.00 | 0 Years | 17.0696% | | \$0.00 |
| 30300 - Intangible Property | Capitalized Software, TX : SEP : 9303TX | \$18,679,691.35 | \$4,089,740.07 | 5 Years | 17.0696% | \$3,188,540.22 | (\$901,199 85) |
| 30300 - Intangible Property | Capitalized Software-SEP GENERAL | \$63,496,389 51 | \$10,116,709.43 | 5 Years | 17.0696% | \$10,838,551.22 | \$721,841.79 |
| 30300 - Intangible Property | Flint Creek Generating Plant : SEP : PPFLC | \$764,476.93 | \$29,628 60 | 5 Years | 17 0696% | \$130,492 81 | \$100,864.21 |
| 30300 - Intangible Property | HCP and NEPA Study for American Burying Beetle (ABB) : SEP : ABBAR | \$61,818.93 | \$2,166.72 | 5 Years | 17 0696% | \$10,552 22 | \$8,385.50 |
| 30300 - Intangible Property | HCP and NEPA Study for American Burying Beetle (ABB) : SEP : ABBTX | \$37,958.53 | \$1,165.92 | 5 Years | 17 0696% | \$6,479.35 | \$5,313.43 |
| 30300 - Intangible Property | Mattison Interconnect : SEP : HDMINTC | \$523,300.91 | \$4,466.53 | 5 Years | 17 0696% | \$89,325 14 | \$84,858.61 |
| 30300 - Intangible Property | Stall Interconnect : SEP : PPSTAINTC | \$202,867.49 | (\$37,193 90) | 5 Years | 17 0696% | \$34,628.58 | \$71,822 48 |
| 30300 - Intangible Property | Welsh Generating Plant : SEP : PPWSH | \$337,027 84 | \$49,778.21 | 5 Years | 17.0696% | \$57,529.15 | \$7,750 94 |
| 30300 - Intangible Property | Capitalized Software - Oracle : SEP : 9303ORA | \$12,638,903.77 | \$1,264,025 22 | 10 Years | 17.0696% | \$2,157,404.65 | \$893,379.43 |
| 30300 - Intangible Property | Capitalized Software - Maximo : SEP : 9303MAX | \$16,948,195.48 | \$281,834.94 | 15 Years | 17.0696% | \$2,892,981.57 | \$2,611,146.63 |
| | | \$133,080,102.21 | \$17,420,774.17 | | | \$20,858,348.71 | \$3,437,574.54 |